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8 August 1951

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Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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State Department review completed

DIA and PACOM review(s) completed.

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SECTION I (SOVIET)

1. USSR. Propaganda reflects increased Soviet interest in East-West trade: An Izvestia article and a Moscow home service broadcast attacked the proposed US bill for cutting off aid to countries shipping strategic materials to the Soviet bloc as "dangerous to East-West peace." The bill was branded a "weapon in the hands of US imperialists, directed toward preparation of a new war," and "constituting open pressure by the US monopolists on their Western European vassals." The broadcast added a plug for the World Peace Congress resolution calling for an international economic conference in Moscow before the end of the year.

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Comment: Soviet phraseology attempts to conceal the Kremlin's concern over economic bans against the Soviet bloc while placing emphasis on the so-called encroachment on Western Europe's sovereignty.

2. Second quarter results of 1951 State Plan: Results of the State Economic Plan for the second quarter of 1951 were published in the Soviet press on 4 August. Compared with the same period last year, gross value of output rose 16 percent, and productivity of labor increased ten percent. The spring crop sowing plan was described as having been overfulfilled, with the total 1951 sown area augmented by six million hectares over that of 1950. The wheat area was expanded by more than four million hectares, and cotton by almost 400,000. It is claimed that in state and cooperative trade, the population of the country sold 14 percent more at comparable prices than in the second quarter of 1950. Kolkhoz market sales are also said to have risen in the second quarter of 1951 compared with the same period in 1950.

25X1 [redacted]

Field Comment: Embassy Moscow observes that in format, timing and content, second quarter results parallel their first quarter predecessors and are similarly devoid of practically all "meaningful" data. The Embassy feels, however, that the trade data may have some significance in that the 14 percent increase in state and cooperative sales appears to be the lowest gain on record in the postwar period (1948 data lacking). The gain of 16 percent in gross industrial output may have been caused by reconversion, but the Embassy says that it is impossible to know whether the second quarter increase is due to rising military or civilian production.

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4. 30th Anniversary of Mongolian People's Republic: A celebration commemorating the 30th anniversary of the Mongolian revolution was held in Ulan Bator on 9 July. In addition to the Soviet Ambassador Y. K. Prikhodov, the USSR was represented by an official delegation headed by M. P. Tarasov, (Deputy Chairman of the Presidium of the USSR Supreme Soviet and Chairman of the Presidium of the RSFSR Supreme Soviet). The group also included G. I. Tunkin, head of the first Far Eastern Section of the USSR Ministry of Foreign Affairs, and Tsyrempon, the Chairman of the Council of Ministers of the Buryat-Mongolian ASSR. Other governmental delegations at the festivities included those from Communist China, North Korea, the German Democratic Republic, the Polish Republic, the Bulgarian People's Republic, and the People's Republic of Albania.

Comment: The fact that two such prominent officials as Tarasov and Tunkin were sent to attend the Mongolian festivities reflects the desire of the Soviet Government to lend an aura of prestige to one of its lesser known, but strategically located Satellites.

5. EASTERN EUROPE. CZECHOSLOVAKIA. Foreign Office protests Sudeten revisionist activity in West Germany: The Czechoslovak Government has protested to US Embassy Prague against the alleged toleration of "hostile" ex-Sudeten activities in the US zone of Germany. The note reviews previous exchanges on the same subject dating back to 1947 which stress that US occupation authorities have condoned the formation of "independent organizations, whose principal purpose is political activity directed against the Czechoslovak Republic." The note refers to a revival of "Hitlerite, Pan-German aggressive nationalism", US support of "German chauvinist militarism", and US promotion of "revisionist activities."

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Comment: Nearly two million Sudeten Germans have been expelled from Czechoslovakia since the end of World War II. These transferred Sudetens have held numerous meetings in West Germany during which revisionist aspirations were expressed. Such expressions of irredentism have greatly assisted the Czechoslovak Communist regime in capitalizing on popular fear of West German rearmament and have provided it with an issue around which to rally otherwise divergent Czechoslovak elements. US Ambassador Briggs in Prague suggested in May 1951 that in order to reduce the effectiveness of such propaganda, the US High Commissioner in Germany officially disclaim US support of Sudeten aspirations.

6. Italy to close consulate in Bratislava: The Italian Minister to Czechoslovakia has notified US Embassy Prague that effective 15 August the Italian Consulate-General in Bratislava will be closed. This step is the direct result of a "determined but unsuccessful effort" by Czechoslovak border officials to force the Italian Consul-General to open his diplomatic pouch. Czechoslovakia will be required to close its Consulate in Milan, Italy. []

Comment: Austria will be the only Western country to retain a Consulate in Bratislava, a useful observation post on the Danube.

7. ALBANIA. Catholic Church nationalized: The Presidium of the Albanian Government recently issued a decree which, in effect, nationalized the Albanian Catholic Church. Under the terms of the measure the Catholic Church in Albania no longer has any ties with the Vatican. The Albanian Catholic Church henceforth will submit to the Canonnic code of Rome only insofar as the code's provisions do not contradict the laws of the Albanian People's Republic. Albanian Catholic clergy will be trained according to the dictates of the Government. Relations with the Church abroad will be conducted through official channels. In commenting on the nationalization decree, the Tirana press stated that at last the Albanian Catholic clergy has thrown off the yoke of the Vatican "which has placed religion in the service of American imperialism." []

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Comment: Persecution of religious elements in Albania started with the advent of Communist power in 1946. The head of the Albanian Catholic Church, Archbishop Prennushi was sentenced to twenty years imprisonment in 1948 and was reported to have died in prison in February 1949. The latest measure against the Albanian Catholics, who total approximately 100,000, formalizes the break with the Vatican.

8. YUGOSLAVIA. Embassy Belgrade favors lifting US visa restrictions on Yugoslav nationals: Embassy Belgrade considers that the US program of

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assistance to Yugoslavia could be much improved if it were combined with a program of technical training of Yugoslavs in the US. The Embassy suggests that a clause be added to the current aid bill which would permit temporary visits to the US by the subjects of nations participating in aid programs. In this manner Yugoslav nationals could be admitted without weakening existing visa regulations against nationals of Cominform states. The Embassy feels that the US should encourage Yugoslav willingness to expose its citizens to Western life as evidenced by the regime's recent requests for on-the-job training and scholarships in the US. The Embassy points out that there is very little likelihood that any trainee selected by the regime would be sympathetic to the Cominform since the anti-Cominform screening process in Yugoslavia is extremely severe.

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[redacted]

Comment: A program of technical training for Yugoslav nationals would materially and politically enhance the US economic and military assistance programs. Because present US legislation restricts the entrance of all Communists, those Yugoslav nationals most likely to be sent for such training are not eligible for visas.

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SECTION 2 (EASTERN)

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1. INDONESIA. Bandits and Islamic fanatics attack Djakarta port area: Approximately 200 men described by an Indonesian official as "Islamic fanatics and leftist bandits" attacked Tandjong Priok, the port of Djakarta, on 5 August. The attackers carried red flags and wore red headbands decorated with both Islamic emblems and the hammer and sickle. The purpose of the attack is believed to have been the procurement of arms and equipment. Four bandits were killed and forty captured; the remainder fled eastward. [redacted]

Comment: The proximity of this attack to the capital city emphasizes Indonesia's serious security problem. In addition to the fanatical Darul Islam which seeks to set up a Moslem state by force of arms, there are also numerous armed gangs operating in West Java, some of which undoubtedly have been exploited by the Communists. The identity of the band which attacked Tandjong Priok is not yet known.

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2. Cabinet adopts five point proposal on Japanese peace treaty: The Indonesian Government has adopted a five-point proposal regarding the Japanese peace treaty which includes a demand for reparations and an expression of support for Soviet and Communist Chinese participation in the treaty. Indonesia will not decide whether to send a delegation to San Francisco until it sees the final text of the draft treaty now expected on 13 August. [redacted]

Comment: Indonesia has displayed relatively little interest in the Japanese treaty, and the current proposal probably need not be taken very seriously. The government had previously indicated that its demand for reparations would not be large and that even if Communist China were not included in the treaty negotiations, Indonesia would go along with the majority.

3. INDOCHINA. Vietnam Government bans exit of men of military age: The Vietnam Surete in Hanoi received on 3 August an official directive from the National Security Service in Saigon that henceforth no Vietnamese males aged 20 to 45 would be issued exit visas. A check with the Surete by the Consulate confirmed that this directive will result in the denial of visas to Vietnamese who have received grants under the Smith-Mundt exchange of persons legislation. On 5 August two Vietnamese seminarians from the Catholic diocese of Buichu were stopped from boarding an Air France plane bound for the US. [redacted]

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Comment: This is the latest in a series of steps by the French-Vietnamese authorities designed to step up the military effort against the Viet Minh, and stems directly from Bao Dai's decree of 15 July providing for the "mobilization of all national resources." This step, however, threatens to be far more explosive politically than any heretofore taken. The absolute authority of the French High Commissariat for Indochina and the French-sanctioned Vietnam Government has, in the past, been tempered by the opportunity which has been accorded Vietnamese to express their political views at least to the extent of refusing to cooperate with an unrepresentative and unpopular government or of leaving the country altogether. Compulsory military service under a government which is widely regarded by the Vietnamese as French-dominated, and denial of the right to go abroad, particularly for educational purposes, will cause intense ill-feeling. This will be particularly true in the case of projected travel to the US, whose educational opportunities are regarded by many Vietnamese as the key to release from subordination to the French. This attitude toward the US is held in virtually all political circles of non-Communist Vietnam, and it is extremely doubtful that the Vietnam Government would have curtailed contacts between its nationals and the US except under strong pressure from the French authorities. On numerous occasions the French have manifested their alarm at signs of closer US-Vietnam relations and have taken steps to thwart such a trend.

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5. French hint at truce with Viet Minh alarms Vietnamese: Official Vietnamese circles in Paris reacted "with some emotion" to the hint dropped by Minister for Associated States Letourneau that negotiations to end the "civil war" in Vietnam might follow the Korean truce talks, according to a French Press Agency (AFP) broadcast from Saigon. French political circles in Saigon were quoted by the AFP as stating that the Letourneau hint, given in an interview with a Dutch correspondent [redacted] should be regarded as "just a periodical sounding-out attempt which should not be taken seriously." [redacted]

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Comment: Although there is probably no serious intent on the part of the French Government to negotiate with Ho Chi Minh and although such

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intent has been denied by De Lattre, the recollection of French-Viet Minh negotiations in 1946 is still fresh in the minds of the Vietnamese, and even the remotest hint that the French may "sell them out" to the Viet Minh creates painful uncertainty in Vietnam.

6. CHINA. Soviet and Chinese Communist influence in Inner Mongolia assessed:

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- (a) the Ministers of the Inner Mongolian regime were all Moscow-trained Mongols who spoke excellent Russian; however,
- (b) the Vice-Ministers were all Chinese, and it was the Chinese who exercised "actual control" over the area;
- (c) there was no official Soviet representative in Wangyehmiao, nor were any Soviet troops or railway guards observed; however,
- (d) the study of Russian was compulsory in the area (for officials?), and many young Russians had been imported as teachers;
- (e) the Mongols wished to establish better rail connections with the USSR by extending the railway from Aershan to Manchuli or Hailar, but the Chinese Communists would not permit work to be begun on the proposed line; and
- (f) the border with Outer Mongolia was "tightly closed," with no travel except for occasional official delegations from Ulan Bator (the capital of Outer Mongolia).

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Comment: The Inner Mongolian Autonomous Region, a creation of the Peiping regime, adjoins Outer Mongolia and Communist China's Northeast, occupying a large slice of the area formerly known as Manchuria. Little information has come out of the area;

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There has long been speculation as to whether the Peiping regime would prove willing and able to prevent Outer Mongolian (and hence Soviet) annexation of Inner Mongolia.

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as of 1949, the Peiping regime retained the superior position in the area. However, in the past two years there have been fragmentary reports of increased Soviet and Outer Mongolian activity in Inner Mongolia, and it is possible that the USSR has been steadily increasing its influence in the region.

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7. Communist advance into Tibet reported: The Indian press reports that

- (a) Chinese Communist forces are now only 150 miles east of Lhasa and have been identified near the Indian border;
- (b) Chinese Communist officials who have arrived at principal Tibetan trading centers are "virtually in control" of administrative machinery; and
- (c) the Dalai Lama and Chang Ching-wu (Communist military governor of Tibet) are about to enter Lhasa.

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Comment: Chinese Communist forces and officials are known to be moving into Tibet, but the extent of their advance is not clear. The Dalai Lama's apparent decision to accept Peiping's terms--which leave him with no significant authority--will facilitate the Communist advance. The Peiping regime is expected to be in effective control of Tibet by the end of 1952.

8. Political labor camps proposed for Central-South China: Labor camps for political prisoners will soon be in operation throughout the Central-South China administrative region as a result of plans drawn up at a recent regional conference on "reform through labor," according to a 27 July communist newspaper in Hong Kong. The system, which will be decentralized at first with prisoners working on local projects, will lay the groundwork for the later use of prisoners on large-scale engineering projects.

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The US Consul General in Hong Kong remarks that the establishment of a system creating a continuous demand for this type of labor would provide an additional motive for an unending series of campaigns to arrest counter-revolutionaries.

Comment: Indications of Chinese Communist intent to implement a labor program of this sort have been observed in an increasing number of reports alluding to a decrease in the number of death sentences and a concurrent increase in commutations of sentences to servitude for varying periods. This is among the first observations of intent to employ prisoners in South China; other reports concerned shipments of corvees northwards. The present development has long been expected.

9. US objects to Chinese Nationalist conscription plans: The reported Chinese Nationalist intention to begin the conscription of 15,000 men on 10 August is diametrically opposed to the recommendations of the US Military Aid and Advisory Group (MAAG) and was announced without prior consultation with officials of that organization. General Chase, head of MAAG,

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told Chinese officials on several occasions that he opposed any increase in the armed forces at this time. The ECA mission to Formosa has continuously stressed that the island's gravely strained economy cannot bear this burden. As a compromise, US officials hope for a deferment or only a partial implementation of this conscription.

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Comment: This incident points up the necessity for establishing effective US political, economic, and military control over the programs supported by US aid. Chinese Nationalist preoccupation with sovereign rights makes the solution of this particular problem difficult. Considerations of "face" further complicate the problem, since the conscription program has already received the Generalissimo's signature and nation-wide publicity.

10. KOREA. Communists take action against disease threat: A 3 August Pyongyang broadcast relates that over 836,000 persons have been vaccinated or inoculated against smallpox, cholera and typhus in one province alone since January, 1951. These disease prevention measures reportedly are credited with reducing the incidence of smallpox by 23.9 per cent.

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Comment: During the past winter, the high incidence of eruptive typhus and hemorrhagic smallpox among Communist troops and civilians was a matter of considerable concern to North Korean authorities.

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SECTION 3 (WESTERN)

1. GERMANY. West German press expresses concern about Communist influence over East German youth: In reporting the Communist World Youth Festival now going on in East Berlin, many West German newspapers warn that the Communist youth rally should be viewed by the West as a "significant warning signal", and express grave concern lest the Communists win German youth to their cause while West Germany does very little to arouse enthusiasm among its own youth for Western democratic ideals. Several newspapers publish the remark of a well-known news commentator that the influence the Communist regime is exerting on youth is "more damaging to German reunification than the entire People's Police". 25X1
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2. FRANCE. French fear aviation gasoline shortage is imminent: A severe aviation gas shortage is expected in France by October if the Abadan refinery shutdown continues. The French are trying to borrow from SHAPE enough gas to tide them over, but they fear that they will not be successful after the freight airlift from Berlin is started. They believe that the new Soviet blockade of Berlin's exports is timed to take the greatest possible advantage of the growing Western European shortage of aviation gas resulting from the Iranian dispute. 25X1

Comment: The Abadan shutdown has deprived Western Europe of 31 per cent of its processed petroleum imports. Iran supplied only a slight portion of total French petroleum imports, but a relatively high proportion of this was aviation gasoline, and current stocks cannot be entirely replenished from domestic plants. There is no direct evidence of a connection between Soviet-inspired economic trouble in Berlin and developments in the Iranian oil dispute.
3. Further progress is made on export controls: Recent meetings of Western Powers participating in East-West trade controls have, in the opinion of the US delegation, led to "significant further progress toward parallel action" among all countries represented. More than 60 per cent of the critical items on which the US had previously been unable to obtain agreement for a strict embargo (US List IA) have now been accepted, bringing to 90 per cent the total number of items so far agreed to for embargo (US List I). In addition, "advantageous" proposals for handling quantitative controls and exceptions have been adopted, and further progress is likely

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to be made by obtaining at least partial control over the remaining US List IA items.

The US delegates were impressed, however, with the "very firm position", particularly of the UK and France, against a further extension of the embargo on basic industrial exports. These countries showed "grave concern" with their domestic political problems and rejected what they probably viewed as a US effort to impose its will for complete acceptance of List IA.

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Comment: Substantial further progress toward a general embargo on US List IA items is not indicated. Furthermore, the other participating countries have accepted less than 40 per cent of the 250 items on US Lists II and IIB, which were proposed for quantitative restrictions only although in practice the US denies them totally to the Soviet Orbit.

The Western European countries are increasingly apprehensive over inflationary pressures, which some leaders are determined to combat in part by encouraging imports. These countries insist that they can obtain urgently needed Eastern products, such as coal, only by offering some critical items in exchange. Furthermore, the Western European countries are increasingly sensitive to US leadership and resentful of exceptions approved for individual nations.

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5. BELGIUM. Decline in export trade anticipated: Belgium-Luxembourg had a favorable balance of trade in June for the first time in 1951, due to a fall in the value of imports and a rise in the export level to a postwar high.

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Although the Belgian press welcomes the favorable balance of trade, it does not consider it a good sign. It believes the drop in imports foreshadows a decline in exports, and a general slackening of over-all economic activity. The embassy comments that although no details are available on the sectors affected by the drop in imports, it seems that the decline occurred primarily in imports of textile materials and vegetable products. Imports of mineral products, particularly coal, showed an increase.

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Comment: Belgium-Luxembourg has had a slight yearly balance of trade deficit. As usual, both before and since World War II, some decline in over-all economic activity probably will be evident during the summer. Activity in the secondary industries, such as textiles, has fallen off considerably since the first of the year because of the lack of world demand. No improvement is likely until defense orders are under way and inventories are depleted. In view of the continued high value of mineral imports, no decline in the steel and metallurgical industries is foreseen at present.

6. PORUGAL. Heavy vote points up Salazar's nation-wide prestige: The Supreme Court today handed down the official returns on the 22 July general elections, which confirmed the choice of General Francisco Craveiro Lopes as the eighth President of the Portuguese Republic. Although the number of abstentions and voided ballots was not published, the unopposed official candidate is estimated to have polled 80 per cent of the total national vote.

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Comment: The real victor in the elections was Premier Salazar. Previous successes at the polls had been generally attributed to the vote-getting appeal of the late President Carmona. The 80 per cent vote polled by the regime which, according to a pro-government newspaper, surprised even the most optimistic observers, indicates that Salazar's party still enjoys a broad base of popular support. With his personal control of the party established beyond dispute, it is believed that Salazar may decide to deal severely with corrupt office-holders whose scandalous activities, widely publicized by the opposition during the presidential campaign, are said to have caused him considerable embarrassment. Lopes, who will take office on 9 August, visited Washington in 1943. Reportedly favorably disposed toward the US, he recently said that the strengthening of relations with the US will continue to be a basic aim of Portugal's foreign policy.

7. UNITED KINGDOM. US-UK disagreement over Far East policy seen as probable after Korean armistice: US Embassy London predicts that British differences with the US over Far East policy, now held in check in order to preserve a united front in Korea, will probably revive if a Korean armistice is achieved. The embassy indicates that the British see an armistice as the first phase in "step-by-step" negotiations leading eventually to a general

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settlement in the Far East, and expect the Chinese Communists to demand admission to the UN as a prerequisite to an over-all Korean settlement. The embassy estimates that the present government would find great difficulty in trying to dodge such a demand in the face of UK public opinion on the issue.

On the Formosa issue the embassy reports an increasing conviction of many senior military and civil officials, including Foreign Secretary Morrison, that the island would possess high strategic utility to a hostile power, but estimates that the cabinet nevertheless might be led to over-rule Foreign Office support of Formosa's continued neutralization should it appear expedient to promote a general Far East settlement.

Regarding the future of Korea once a cease-fire had been negotiated, the embassy estimates that Britain might for a time resist pressure for a total withdrawal of UN forces, but probably would eventually prove willing to accept some face-saving solution. This would relieve the UK of unwelcome responsibilities in Korea and though it might leave South Korea vulnerable to eventual political absorption by the North Korean Communist regime, Foreign Office circles regard such a development as in any event probable.

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8. British still push adoption of their .28 calibre rifle; The British Army will conduct on 10 August a demonstration of the .28 calibre rifle at the British School of Infantry. US Army Attache London notes a determined effort to "sell" the new rifle to all interested parties, including other NATO members. He believes the demonstration has a definite political aspect, as the invitations for American personnel were handled through the NATO Council of Deputies and the political side of the embassy rather than by his office.

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Comment: UK Defense Minister Shinwell, on his return to London from the small arms standardization talks in Washington, reported that "for the present" he had failed to get the new British rifle and ammunition adopted as standard NATO equipment, that the whole standardization matter had been referred to the supreme NATO military organization, and that he hoped a report could be drafted in time for the October Council meeting. Meanwhile, the British Government has decided not to request at this time US financing of any machine tools for production of .28 calibre weapons or ammunition.

9. DENMARK. UK and German coal shortage keeps Denmark dependent upon Polish coal; US officials in Copenhagen estimate that ECA efforts to reduce Danish dependence upon Polish coal by financing coal imports from the US will have little effect, unless Denmark can substantially increase its present imports of coal from the UK and Western Germany. The UK, for example, has

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25X1 committed only 1.1 million tons for 1951 as against 2.9 million exported in 1950. Failing a marked rise in imports from Britain and Germany, the only alternative to Polish coal would be a vastly increased quantity from the US. [redacted]

Comment: Since the present coal situation of the UK and West Germany makes an increase in their shipments to Denmark unlikely without special pressure from the US, it appears that Poland will be able to exert considerable pressure on Denmark to export strategic goods as payment for coal when the current trade agreement expires in October. Reduced UK coal deliveries have also diminished Norway's bargaining position with Poland.

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SECTION 1 (SOVIET)

1. TRIESTE. State Department considering postponement of Trieste elections: The Department of State is exploring the possibility of postponing the Trieste elections, as Premier De Gasperi has requested, on the understanding that the Italian Government will seriously try to reach agreement with Yugoslavia on the settlement of the Trieste problem. If this plan is implemented, the Allied Military Government will issue a carefully timed statement that the elections have been deferred in order to facilitate a mutually satisfactory Trieste settlement in connection with the larger problem of the revision of the Italian Peace Treaty. Before seeking the concurrence of the UK and France for such a step, the Department has requested the comments of US ambassadors in Belgrade and Rome and the US political adviser in Trieste.

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SECTION 2 (EASTERN)

2. JAPAN. Japan desires peace treaty provision for repatriation: Japan, concerned over the unrepatriated Japanese for whom the Soviet Union or Communist China have failed to account, desires the inclusion of a provision in Article 26 of the peace treaty for the return of prisoners of war and civilian detainees, according to a letter from Premier Yoshida to Ambassador Dulles. The Japanese are apprehensive that, without such a clause, if either Communist nation proposed a bilateral treaty identical with the present treaty Japan might be obligated to accept the proposal unconditionally. If the inclusion of such a repatriation provision proves impractical, Yoshida suggests a protocol joined in by the Allied Powers which would specify that the treaty does not prohibit repatriation provisions in subsequent bilateral treaties.

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Comment: Article 26 provides that for a period of three years after the peace treaty Japan will not make a bilateral peace treaty with any state which grants the latter greater advantages than those offered the signatories of the San Francisco treaty.

Yoshida very likely feels that a small concession of this nature from the Allied Powers, on a matter as close to Japanese hearts as the subject of repatriation, will strengthen public support for the peace treaty in Japan.

3. Japanese promise to establish overseas agency on Formosa after peace treaty is consummated: The US Political Advisor (POLAD) in Tokyo received categorical assurance on 4 August that the Japanese Government will open an overseas agency at Taipei after the peace treaty is signed.

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POLAD states that to bind Japan publicly to Nationalist China at this time would discourage India and others who have severed ties with the Nationalists from joining us in signing the treaty. Since the British are adamantly opposed to the Japanese Government taking any overt action in favor of the Chinese Nationalists, the US representative warns that further pressure on the Japanese in this respect would only serve to display the disunity of US-UK China policy.

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